

## Building material costs soar: Check your home insurance policy now

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**The cost of building materials has surged over recent months. For homeowners, it's more important than ever to check your insurance policy to ensure you're adequately covered.**

Prices are rising whether you're filling up the car or going on a weekly grocery shop, while the cost of gas and electricity also reached a record high in April.

While these are directly hitting Brits in the pocket, there's a hidden price rise which could indirectly impact homeowners – building material price rises.

When buying home buildings insurance, it's important to include a 'sum insured' figure which is the cost of rebuilding your property should the worst happen.

This covers the building's structure such as the roof, flooring, walls and windows, as well as permanent fixtures and fittings including kitchen units and bathroom suites.

It's down to the policyholder to get the buildings sum insured figure accurate – it's not the purchase price or market value – and there are a range of [rebuild calculators](#) you can use to help you.

But as building material costs have soared in recent months, it's important homeowners check insurance policies to ensure the figure is up-to-date so that your insurer will pay out the maximum amount for any potential claim.

The Building Cost Information Service of RICS (Royal Institution of Chartered Surveyors) publishes an index which can be used to help update buildings sum insured between renewals.

It shows annual percentage increases in the index, and in April 2022, the index rose 11.4%, following a 10.3% increase in March, 10.9% increase in February and 10.1% in January. These are all double-digit figures, compared to single digits dating back to 2016.

And according to its index showing the change recorded in main construction material prices between May 2021 and January 2022, these have all risen:

- Timber prices – 25%
- Plaster and plasterboard – 23%
- Bricks and blocks – 22%
- Ironmongery – 20%
- Fabricated structural steel – nearly 20%
- Cement – 19%.

Richard Groom, head of data products at BCIS, says "With so many drivers currently contributing to rising prices we seem to be in the midst of a perfect storm for materials costs, with BCIS' latest index showing levels of growth above 20% – a level not seen since the late 1970s."

Indeed, according to find-a-tradesperson platform Rated People, materials shortages, increased demand, Covid challenges and increasing production costs are driving up costs of materials. This in turn is also leading to higher labour costs.

Its data reveals that in the year to February 2022, these are the top 15 materials with the biggest price increases:

1. Particle Board	+45%
2. Concrete reinforcing bars (steel)	+44%
3. Fabricated structural steel	+36%
4. Imported plywood	+29%
5. Pre-cast concrete products	+26%
6. Imported sawn or planed wood	+23%
7. Paint (non-aqueous)	+21%
8. Concrete blocks, bricks, tiles & flagstones	+19%
9. Plastic doors & windows	+19%
10. Builders woodwork	+17%
11. Metal screws	+17%
12. Plastic pipes and fittings (rigid)	+15%
13. Paint (aqueous)	+14%
14. Ready-mixed concrete	+13%
15. Bituminous mixtures based on natural & artificial stone	+13%

## Building sum insured

Groom says that given most homeowners only have a full rebuilding cost estimate completed when they buy their property, “recent price movements will make it essential that everyone checks they have suitable levels of cover in place to rebuild in full should the worst happen”.

This is echoed by the British Insurance Brokers’ Association (BIBA) which says it is concerned that some people may not have reviewed their sums insured for a while.

It says: “With significant inflation on building costs and materials, there is a potential risk that they don’t have sufficient insurance. We recommend they speak to their broker who can help get insurance for the correct sums.

“Buildings insurance is based on the rebuild value and if the cost of labour and material is going up then this must be reflected in sums insured. Many policies will give a set comfortable level of sums insured based on the number of bedrooms, but consumers still need to check that this meets their specific needs.”

The Association of British Insurers (ABI), adds that if a property is of non-standard construction, for example timber framed, then you may need to use a surveyor to help get the rebuilding cost.

According to financial information and ratings firm, Defaqto, sum insured can be presented as a range or it could be provided as a fixed amount.

It found 34% provide a £1m sum insured as a fixed level, so for most homes, “this removes the need to estimate the amount you want to insure, Anna-Marie Duthie, insight consultant (general insurance) at the firm says.

Currently 12% of standard home building policies offer an unlimited sum insured which means the costs will be covered without limit, however these policies can be more expensive.

Duthie adds: “It is important to regularly review your sum insured to ensure it remains relevant to your circumstances. Many policies, 42%, now include ‘index linking’, which is where the insurer automatically increases the sum insured in line with the house rebuilding cost index of RICS.

“Bear in mind though that this is to ensure the sum insured is adequate in line with increasing costs but will be based on the initial sum insured selected at inception of the policy, therefore you should ensure you have adequate sum insured at the point of purchasing a new policy as well as at each renewal after that.”

Maximum Sum Insured	No.	%
Less than £500,000	42	7
£500,000	96	15
£500,001- £999,999	74	11
£1 million	299	46
Over £1 million	59	9
Unlimited	75	12
<b>Total</b>	<b>645</b>	<b>100</b>

Duthie warns: “It does however remain important to make sure these amounts are enough for your needs. If you insure your home for less than it is worth, and you have a big claim, the insurer might reduce the amount it pays you in proportion to the amount you are underinsured. This is known as ‘averaging’ your claim.”

The Financial Ombudsman Service regularly publishes complaints data, including within the insurance sector. While it wasn’t able to provide statistics on how many complaints it has handled specifically relating to homeowners who had underinsured in this way, it did say it sees a number of complaints arising where the insurer claims the consumer undervalued their property when taking out a policy.

In one case handled by the Ombudsman, a homeowner complained about incorrect advice from an insurance broker about the amount she should insure her buildings for (sum insured). In 2016, there was a fire at her property which affected one of the outbuildings.

She submitted a claim for damage caused by the fire to her insurer and received a pay out of around £7,000 – around half of the total claim amount.

She claimed she was mis-sold the policy as she didn’t have adequate level of cover for the property and that at renewal (she had been a customer since 2005) she wasn’t told to check what the amount insured was or whether it would be enough to cover the rebuild cost.

The insurer said it was up to the homeowner to check and read the documents to make sure everything was adequate but she thought the insurer should pay the shortfall.

The Ombudsman agreed with the homeowner, stating that at the renewal process the broker didn’t ask or check properly with the homeowner that the sum insured was adequate.

However, homeowners should check policy documents carefully to avoid such a scenario.